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Director of
Central
Intelligence

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National Intelligence Daily

Friday

5 February 1988

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5 February 1988

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Date JUN 1999

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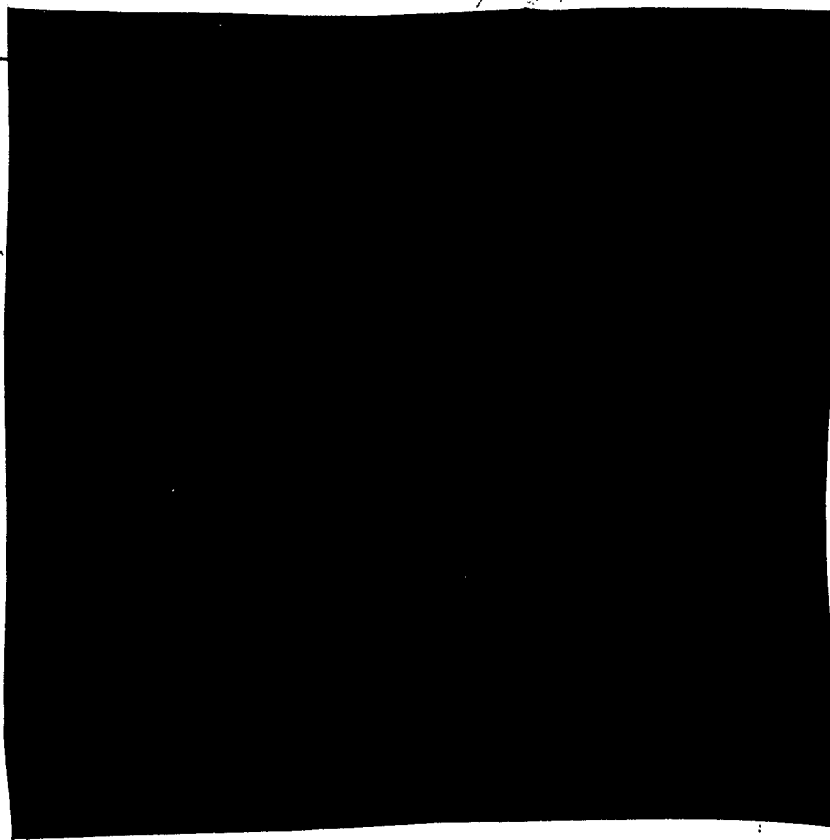
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NICARAGUA-CUBA: Reaction to US Aid Vote

The Sandinistas are welcoming the US Congressional vote against further lethal aid to the Nicaraguan insurgents in a cautious although uncompromising manner—a course of action by Managua that Havana evidently supports. b3

Nicaraguan President Ortega yesterday acclaimed the defeat of the aid bill and called on Honduras to close rebel bases. Sandinista officials renewed calls for bilateral negotiations with Washington and called on the Nicaraguan rebels to lay down their arms. b3

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b3 [REDACTED] The Sandinistas are probably tempering their response in order to deny the US any pretext to renew lethal aid to the insurgents. Managua, however, is likely to intensify calls for immediate on-site inspections in Honduras in anticipation of the Central American Foreign Ministers' meeting later this month in Guatemala to consider verification methods. b3

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ISRAEL-LEBANON: Fatah Infiltrators Ambush Israelis

A predawn attack yesterday by Palestinian commandos was foiled by Israeli troops inside northern Israel, but the deaths of two Israeli soldiers in the raid will inspire further unrest among Palestinians in the West Bank and Gaza Strip. b3

Three Palestinian guerrillas—identified as belonging to Fatah by the Israeli military—crossed from Lebanon into northern Israel and killed two members of an Israeli patrol before additional Israeli forces killed one and wounded and captured a second. The third attacker apparently slipped back into Lebanon. b3

The attack occurred near Menara, a settlement approximately 1 mile from Israel's northern border, and marked the second time in recent weeks that Palestinian gunmen have conducted an operation in this area. The earlier cross-border raid, on 20 January, resulted in the deaths of an Israeli soldier and all three members of the commando squad. b3

b3 The latest raid will raise Palestinian morale and encourage further unrest in the occupied territories. The recent Israeli losses, coupled with the six unavenged Israeli deaths in the hang-glider attack in November, will fan growing Israeli domestic criticism of the military's performance along the border with Lebanon and in the occupied territories. b3

The redeployment of elite Israeli infantry units from the border to the occupied territories has obliged Israel's client Army of South Lebanon to bear the brunt of the patrolling in the security zone while repelling increased Hizballah attacks. The Israeli military has tried to improve ASL effectiveness by providing heavier, more rapid fire support from both artillery and attack helicopters, but infiltrations are likely to intensify in support of continuing disturbances in the occupied territories. b3

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Main Points of President Mubarak's Peace Initiative

- The parties concerned would halt all forms of violence and repression in the Israeli-occupied territories for six months.
 - All settlement activities in the territories would cease during this period.
 - The political rights and other fundamental rights of the Palestinian people living under the occupation would be respected.
 - The protection of the Palestinian people would be guaranteed through appropriate international measures.
 - The parties would move toward convening an international conference for peace in the Middle East with the aim of reaching a comprehensive settlement that recognizes the right of all countries of the region to live in peace and that enables the Palestinian people to exercise their right to self-determination.
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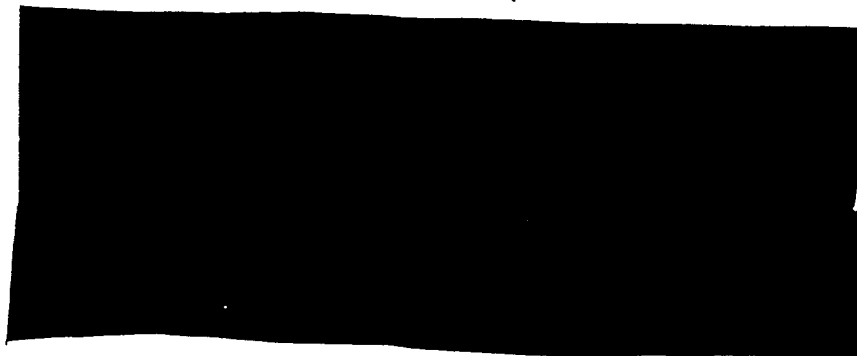
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USSR:

Reaction to Initiatives on Arab-Israeli Issue

Moscow, apparently worried that US and Egyptian initiatives on the Arab-Israeli dispute will overtake its own recent call for an international conference, is urging a high-level US-Soviet dialogue on the peace process. [REDACTED] b3



b3 [REDACTED] Shevardnadze's recent letter to the UN calling for Security Council deliberations on an international peace conference was met with near universal acclaim in the Arab world, and Moscow probably believes the USSR is now perceived as the superpower most actively involved in seeking a solution to the conflict. The sudden interest in US-Soviet talks probably arises out of concern that the US initiative may preempt discussion of Soviet proposals and lead again to separate negotiations without Soviet participation, a possibility raised in Soviet media treatment of the US proposals. [REDACTED] b3

The Soviets undoubtedly welcomed the call for an international conference by Mubarak but were probably distressed that he revealed his plan shortly before a visit to the US—implying US-Egyptian coordination and affirming the importance of a US role in negotiations. [REDACTED] b3

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ITALY:

Goria Government in Trouble

The survival of Prime Minister Goria's five-party coalition is increasingly doubtful as opposition parties—joined by defectors from the governing alliance—continue to deal the government a series of defeats in secret voting on the budget bill. b3

Goria said this week he would press ahead with efforts to get his 1988 budget through Parliament but that once the bill is passed he would "provoke and promote a clarification" to find out if his government still enjoyed majority support. Meanwhile, members of the governing coalition are beginning to snipe at each other in public. Socialist leader Craxi was quick to blame the turbulence on defectors from Goria's own Christian Democratic Party. The tiny Liberal Party, which created a minicrisis in November by temporarily pulling out of the government, called for an immediate summit of the coalition partners. b3

Opposition to the budget bill from the Communists and the Radical Party, as well as from disgruntled government members, has forced Goria to a series of open confidence votes over the past two weeks in order to push key spending and tax measures through Parliament. The entire budget will be put to a secret vote today. If the budget bill passes in the lower Chamber of Deputies, it will need to go back to the Senate for debate because of the number of changes. b3

b3 Both Craxi and Christian Democratic Party leader DeMita seem to prefer to avoid a crisis now because neither yet feels strong enough politically to bid for the prime-ministership. The chance of a miscalculation is growing, however, as the difficulties in passing the budget bill point up discontent in the governing coalition and an erosion of party discipline. b3

DeMita appears to be under siege in his own party. Some Christian Democrats would like to see him step down as party leader and probably view an early government crisis as an opportunity to move DeMita into the prime-ministership while opening up the top party post before the Christian Democratic congress in April. Craxi is raising the possibility of a new election if the government falls, but he probably would be content to allow the Christian Democrats to head a new government and bear the brunt of criticism over economic policy. b3

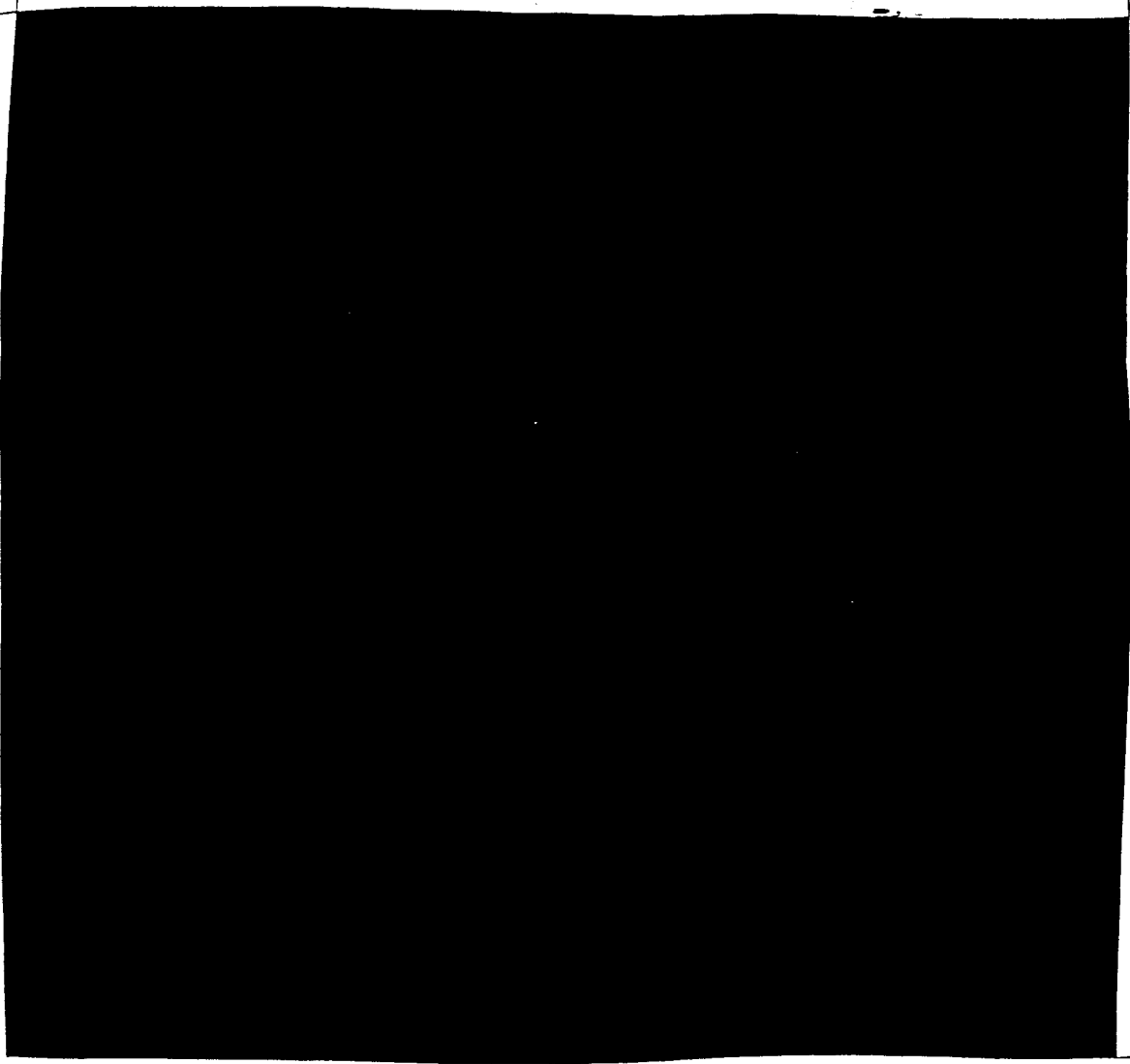
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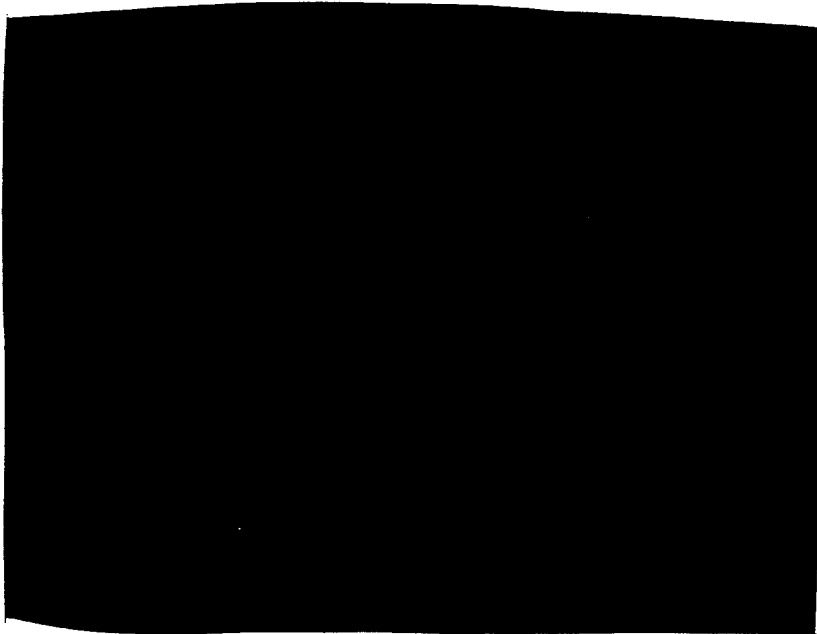
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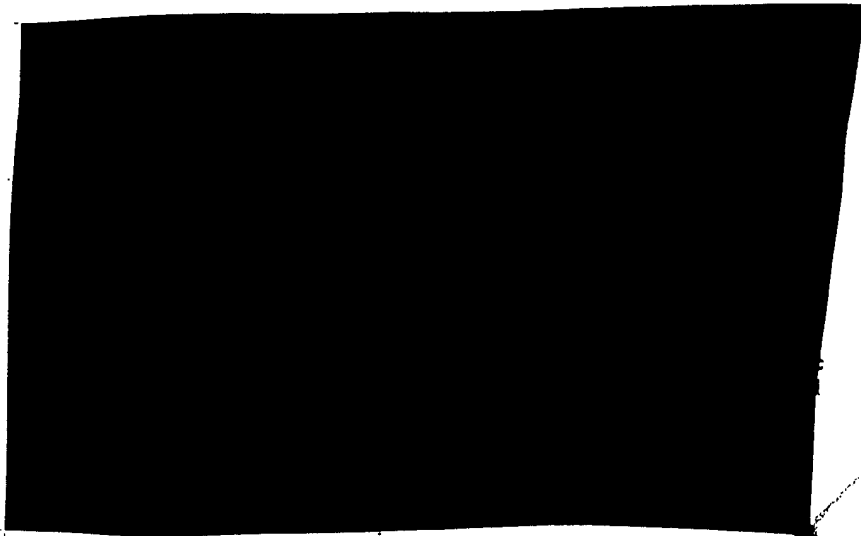
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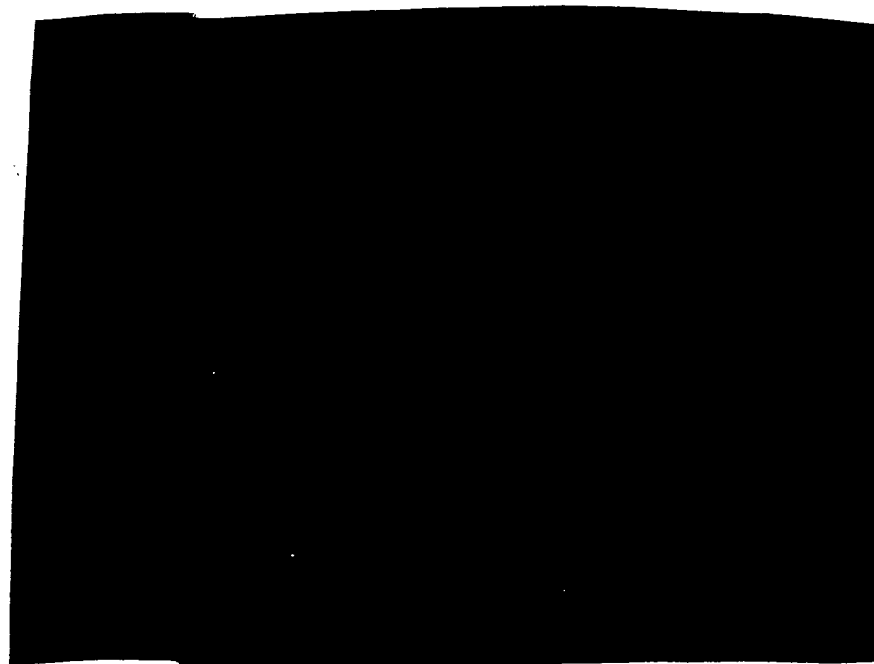
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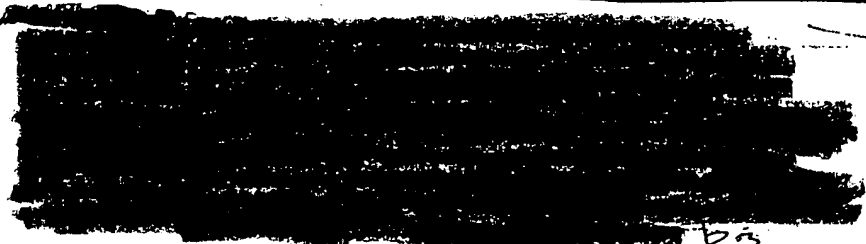
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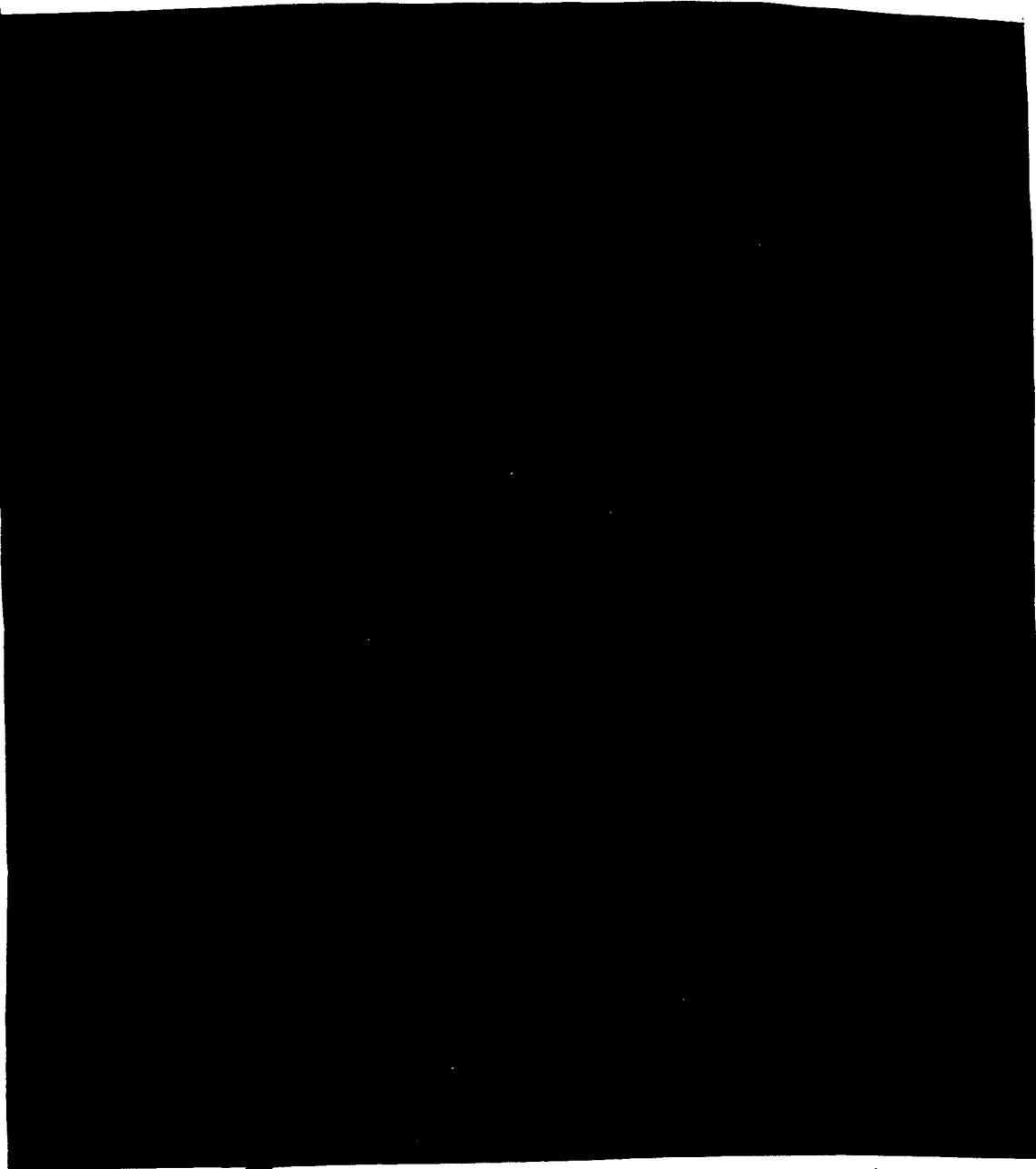
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ARAB STATES: Reaction to US Veto of UN Resolution

Editorials throughout the Arab world predictably have expressed outrage over the US veto on Monday of the UN Security Council resolution on the violence in the occupied territories. The media in moderate Arab states have called the veto unjustifiable, claiming it encourages Israeli repression and contradicts US human rights policies. Some predicted a change in the Arab moderates' position toward US interests in the region.

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The US condemnation of Israel in the UN Security Council vote on 5 January probably heightened expectations in many Arab states that the US would support the latest resolution. Arab governments are allowing their controlled press to express hostility toward the veto to lessen the prospects of demonstrations or disturbances.

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In Brief

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Middle East

— Iraqi oppositionist radio station Voice of Iraq resumed broadcasting from Damascus on Wednesday ... follows resumption of Iraqi media attacks against Syria ... reflects eroding prospects for Syrian-Iraqi reconciliation

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Americas

— China, Uruguay signed communique establishing diplomatic relations Wednesday ... Increases Taiwan's diplomatic isolation, leaving Paraguay only South American nation recognizing it ... Taipei likely to cut aid but not trade.

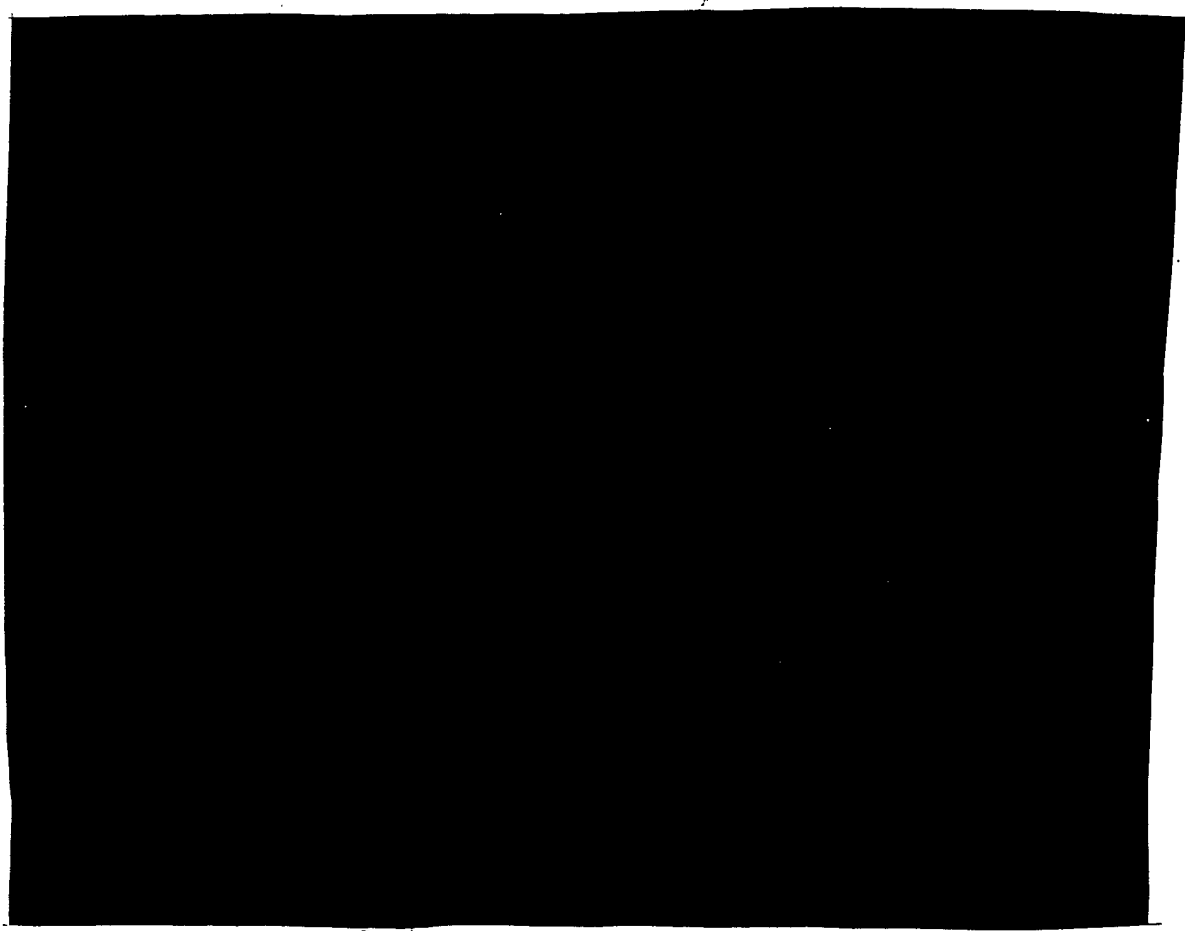
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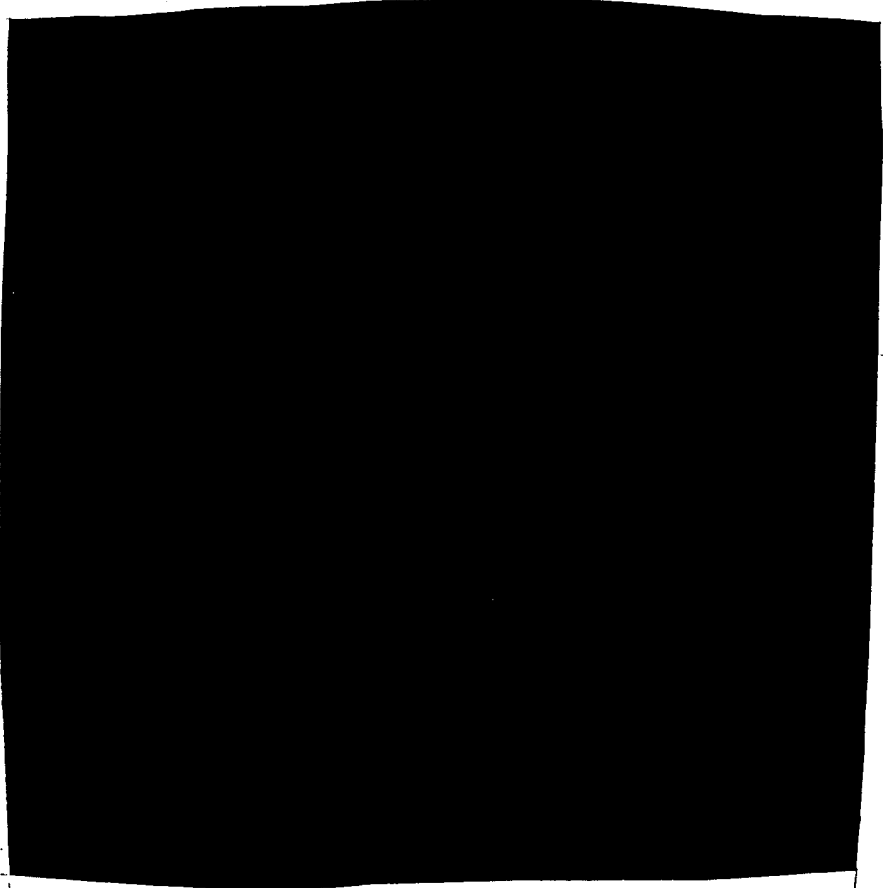
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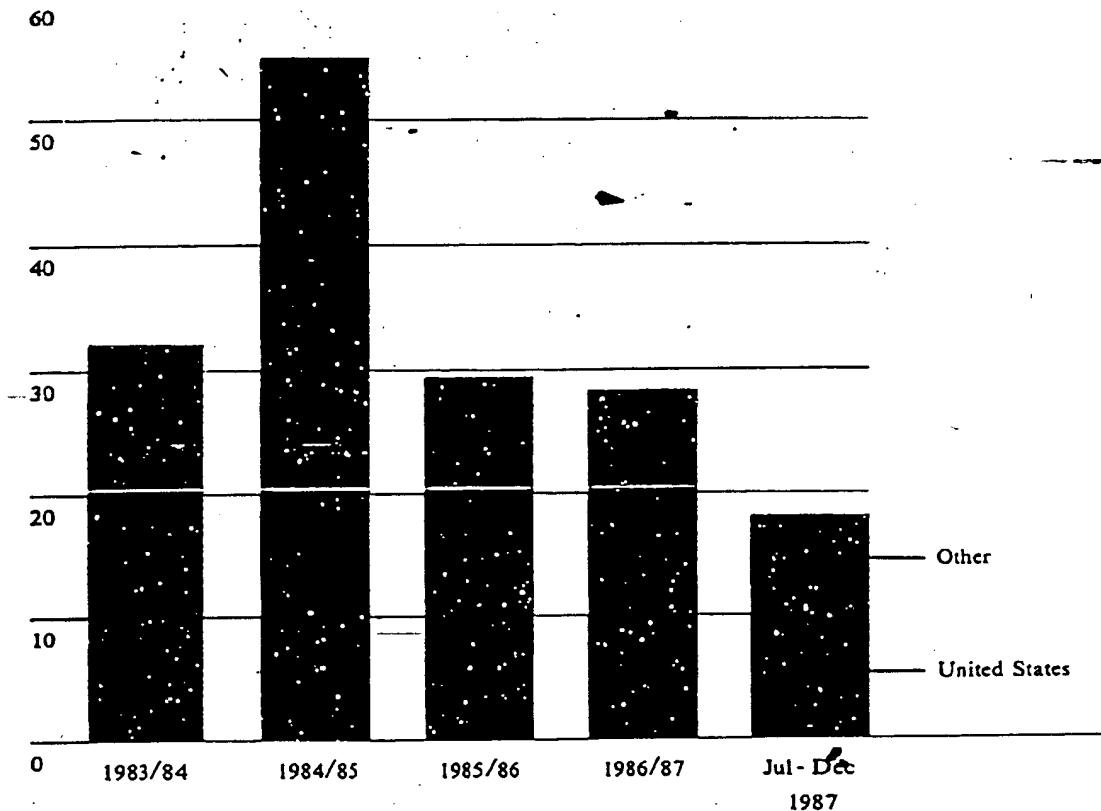
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USSR: Grain Imports

Million metric tons



*Data based on marketing year ending in June. Includes wheat, barley, rye, corn, oats, and sorghum. "Other" includes European Community, Canada, Argentina, Australia, Eastern Europe, and China.

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Special Analysis

USSR:

Soviets To Remain Largest Grain Importers

Despite above-average grain harvests in 1986 and 1987—more than 210 million tons each year—the USSR will probably buy 25-30 million tons of grain, including 16-20 million tons of wheat, during the July 1987–June 1988 marketing year. Moscow has already purchased 18.1 million tons of grain; it will probably want an additional 3-7 million tons of wheat and as much as 5 million tons of coarse grain during the second half of the marketing year. Since last June, the USSR has bought a record 8.1 million tons of US wheat under the Export Enhancement Program. b3

Soviet wheat purchases will continue to be mostly milling quality to offset the damage to its domestic crop by unusually wet weather. Moscow could obtain a maximum of 3-4 million tons of milling-quality wheat; any more would have to come from the US. b3

Prices will determine how much is actually purchased and from whom. If prices are not favorable, Moscow may postpone purchases and draw on stocks until the new grain crop is available this summer. The US offer last Friday of another 2 million tons of US wheat will probably require a subsidy of \$45 to \$50 per ton to attract Soviet business. The EC has subsidized grain sold to the USSR at about \$150 per ton, but an EC official recently claimed that budget constraints will limit further subsidies. b3

The current US-Soviet Long-Term Grain Agreement expires on 30 September, and Soviet officials have indicated a willingness to discuss a third agreement. Negotiating, however, will probably be much more difficult than previously. The USSR's optimism about its future harvests and increased competitiveness among grains exporters in recent years have caused Moscow to question the need for such agreements. And Moscow perceives that it has leverage because of the US desire for a new agreement, especially in an election year. b3

[REDACTED] b1, b3
[REDACTED] Because MFN status is not in prospect, the Soviets may negotiate a new LTA, but one with more favorable terms for them. Moscow probably will push for minimum purchase lower than the 8-9 million tons in the current agreement, a more flexible mix than the current 4 million tons of wheat and 4 million tons of corn, and an explicit US commitment to prices competitive with those of other exporters. Moscow might also try to link future purchases of US grain to improved access to US markets in general. b3

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